

**MAHASKA COUNTY HOSPITAL
(d/b/a MAHASKA HEALTH PARTNERSHIP)**

**INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2010 AND 2009

MAHASKA HEALTH PARTNERSHIP

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MAHASKA HEALTH PARTNERSHIP
Officials
June 30, 2010

<u>Board of Trustees:</u>	<u>Address</u>	<u>Term Expires</u>
Mike Grim, Chairman	Eddyville, Iowa	2014
Jon Sullivan, Vice-Chairman	Oskaloosa, Iowa	2010
Paul Swenson, Secretary	Oskaloosa, Iowa	2014
Jim Hansen, Treasurer	Oskaloosa, Iowa	2012
Mary Sexton	Rose Hill, Iowa	2014
Becky Siefering	Oskaloosa, Iowa	2012
Lawrence Everett (resigned June, 2010)	New Sharon, Iowa	
Amy McGriff (appointed July, 2010)	New Sharon, Iowa	2010

Chief Executive Officer:

Jay Christensen	Oskaloosa, Iowa
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Chief Financial Officer:

Susan Horras	West Des Moines, Iowa
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DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Mahaska Health Partnership
Oskaloosa, Iowa

We have audited the accompanying consolidated balance sheets of Mahaska Health Partnership as of June 30, 2010 and 2009, and the related consolidated statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Mahaska Health Partnership as of June 30, 2010 and 2009, and the results of its operations, changes in net assets, and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 18, 2010 on our consideration of Mahaska Health Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

To the Board of Trustees
Mahaska Health Partnership

The management's discussion and analysis and budgetary comparison schedule on pages 4 through 4d and 21 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2008 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information (shown on pages 22 through 39) is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

G. M. M. M., Ben, Kyhn & W. P. C.

Atlantic, Iowa
October 18, 2010



1229 C Avenue East ■ Oskaloosa, Iowa 52577 ■ 641-672-3132 ■ Fax 641-672-3336

Mahaska Health Partnership Management's Discussion and Analysis

Our discussion and analysis of Mahaska Health Partnership (Hospital's) financial performance provides an overview of the Hospital's financial activity for the fiscal years ended June 30, 2010, 2009, and 2008. Please read it in conjunction with the Hospital's financial statements, which begin on page 5.

Please note that the Foundations' activities have been consolidated with the Hospital fiscal years 2010, 2009 and 2008.

FINANCIAL HIGHLIGHTS

The Hospital's net assets increased in each of the past two years with a \$2,158,865 or 7.4% increase in 2010 and a \$2,268,309 or 8.5% increase in 2009.

The Hospital reported operating losses in 2010 (\$1,078,267) and 2009 (\$988,379). Losses in 2010 increased by \$89,888 from the loss reported in 2009. Operating losses in 2009 increased by \$342,968 from the loss reported in 2008.

Nonoperating revenues increased by \$306,821 in 2010 compared to 2009.
Nonoperating revenues decreased by (\$255,583) in 2009 compared to 2008.

Excess revenues over expenses before capital grants and contributions increased by \$216,933 in 2010 compared to 2009 and decreased by (\$598,551) or 32.6% in 2009 compared to 2008.

USING THIS ANNUAL REPORT

The Hospital's financial statements consist of three statements - a Balance Sheet; a Statement of Revenues, Expenses, and Changes in Net Assets; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

THE BALANCE SHEET AND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Our analysis of the Hospital finances begins on page 4a. One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Mahaska Health Partnership
Management's Discussion and Analysis - Continued

These two statements report the Hospital's net assets and changes in them. You can think of the Hospital's net assets - the difference between assets and liabilities - as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

THE STATEMENT OF CASH FLOWS

The final required statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

THE HOSPITAL'S NET ASSETS

The Hospital's net assets are the difference between its assets and liabilities reported in the Balance Sheet on page 5. The Hospital's net assets increased in each of the past two years by \$2,158,865 in 2010 and \$2,268,309 in 2009, as you can see from Table 1.

Table 1: Assets, Liabilities, and Net Assets

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Assets:			
Current assets	\$ 10,984,002	\$ 13,538,547	\$ 10,719,966
Capital assets, net	23,993,911	19,672,331	19,986,111
Other noncurrent assets	<u>7,329,877</u>	<u>7,660,956</u>	<u>7,891,267</u>
Total assets	<u>\$ 42,307,790</u>	<u>\$ 40,871,834</u>	<u>\$ 38,597,344</u>
Liabilities:			
Long-term debt outstanding	\$ 5,468,510	\$ 6,302,866	\$ 7,129,325
Other current and noncurrent liabilities	<u>5,580,665</u>	<u>5,469,218</u>	<u>4,636,578</u>
Total liabilities	<u>\$ 11,049,175</u>	<u>\$ 11,772,084</u>	<u>\$ 11,765,903</u>
Net Assets:			
Invested in capital assets, net of related debt	\$ 17,640,446	\$ 12,523,625	\$ 12,067,652
Restricted expendable net assets	1,646,948	2,506,162	1,489,535
Restricted nonexpendable permanent endowments	6,000	6,000	6,000
Unrestricted	<u>11,965,221</u>	<u>14,063,963</u>	<u>13,268,254</u>
Total net assets	<u>\$ 31,258,615</u>	<u>\$ 29,099,750</u>	<u>\$ 26,831,441</u>

Mahaska Health Partnership
Management's Discussion and Analysis - Continued

OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET ASSETS

In 2010, the Hospital's net assets increased by \$2,158,865 or 7.4%, as shown in Table 2. This increase is made up of very different components.

Table 2: Operating Results and Changes in Net Assets

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Operating Revenues:			
Net patient service revenues	\$ 31,034,088	\$ 30,032,066	\$ 28,112,640
Other operating revenues	<u>287,157</u>	<u>256,025</u>	<u>216,870</u>
Total operating revenues	31,321,245	30,288,091	28,329,510
Operating Expenses:			
Salaries and benefits	21,334,587	19,909,490	18,162,409
Professional fees	831,087	816,297	761,883
Other operating expenses	8,446,773	8,427,087	7,767,717
Depreciation and amortization	<u>1,787,065</u>	<u>2,123,596</u>	<u>2,282,912</u>
Total operating expenses	<u>32,399,512</u>	<u>31,276,470</u>	<u>28,974,921</u>
Operating loss	(1,078,267)	(988,379)	(645,411)
Nonoperating Revenues and Expenses:			
Property taxes	1,921,025	1,912,020	1,912,025
Investment income	103,366	140,008	284,245
Noncapital grants and contributions	271,584	76,948	295,562
Other nonoperating revenues and expenses, net	<u>234,279</u>	<u>94,457</u>	<u>(12,816)</u>
Nonoperating revenues, net	<u>2,530,254</u>	<u>2,223,433</u>	<u>2,479,016</u>
Excess of Revenues over Expenses and Increase in Net Assets	1,451,987	1,235,054	1,833,605
Capital Grants and Contributions	<u>706,878</u>	<u>1,033,255</u>	<u>221,000</u>
Excess of Revenues Over Expenses and Increase in Net Assets	2,158,865	2,268,309	2,054,605
Net Assets Beginning of Year	<u>29,099,750</u>	<u>26,831,441</u>	<u>24,776,836</u>
Net Assets End of Year	<u>\$ 31,258,615</u>	<u>\$ 29,099,750</u>	<u>\$ 26,831,441</u>

Mahaska Health Partnership
Management's Discussion and Analysis - Continued

BUDGETARY HIGHLIGHTS

The official county budget of the Hospital for the year ended June 30, 2010 was prepared on a modified accrual basis. The original budget of expenditures was approved at the meeting on February 23, 2009. Actual expenditures were lower than budget.

OPERATING LOSSES

The first component of the overall change in the Hospital's net assets is its operating income (loss) - generally, the difference between net patient service revenue and the expenses incurred to perform those services. In each of the past two years, the Hospital has reported an operating loss. Losses in 2010 increased by \$89,888 compared to the loss reported in 2009.

NONOPERATING REVENUES AND EXPENSES

Nonoperating revenues consist primarily of property taxes levied by the Hospital, investment earnings and contributions. Total nonoperating revenues increased \$306,821 compared to 2009.

GRANTS, CONTRIBUTIONS, AND ENDOWMENTS

The Hospital receives both capital and operating grants from various state and federal agencies for specific programs. These are discussed in Note A of the financial statements. The foundation transferred \$1.6 million in contributions to the Hospital from the Hospice House capital campaign fund during 2010.

THE HOSPITAL'S CASH FLOWS

The Hospital's Statement of Cash Flows is an analytical tool useful in determining the short-term viability of the organization. The statement includes only cash inflows and outflows of cash and cash equivalents; it excludes transactions that do not directly affect cash receipts and payments (i.e., depreciation, bad debt write-offs). Total cash and cash equivalents at June 30, 2010 was \$8,301,665 compared to \$8,397,601 at June 30, 2009.

Mahaska Health Partnership
Management's Discussion and Analysis - Continued

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

At the end of 2010, the Hospital had approximately \$24 million invested in capital assets, net of accumulated depreciation, as detailed in Note G to the financial statements.

Debt:

At year-end, the Hospital had \$6.3 million in revenue bonds and promissory note outstanding. A detail of long term debt is provided in Note H to the financial statements.

OTHER ECONOMIC FACTORS

The Hospital is dependent upon payments from Medicare, Medicaid and other third-party payers. Each of these payers has continued to put pressure on reimbursement levels paid to the hospital. Medicare represents nearly 44% of hospital revenues and presently reimburses the hospital approximately 49% of billed charges.

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital Administrator, at Mahaska Health Partnership, Oskaloosa, Iowa 52577.

MAHASKA HEALTH PARTNERSHIP
Consolidated Balance Sheets
June 30,

ASSETS

	<u>2010</u>	<u>2009</u>
Current Assets:		
Cash	\$ 2,068,407	\$ 3,641,120
Patient receivables, less allowances for doubtful accounts and for contractual adjustments (\$2,220,548 in 2010, \$2,475,808 in 2009)	4,871,523	5,378,579
Other receivables	50,764	48,685
Inventory	1,220,454	1,250,581
Prepaid expense	222,703	203,179
Succeeding year property tax receivable	1,790,000	1,780,000
Internally designated assets	<u>760,151</u>	<u>1,236,403</u>
Total current assets	10,984,002	13,538,547
Designated and Restricted Assets:		
Internally designated assets	6,191,365	6,102,571
Restricted assets	<u>1,652,948</u>	<u>2,512,162</u>
	7,844,313	8,614,733
Less amounts required to meet current liabilities	<u>760,151</u>	<u>1,236,403</u>
	7,084,162	7,378,330
Capital Assets:		
Depreciable capital assets	17,734,136	18,563,440
Non-depreciable capital assets	<u>6,259,775</u>	<u>1,108,891</u>
	23,993,911	19,672,331
Other Assets:		
Notes receivable	6,667	13,334
Debt issue costs	221,986	250,736
Other	<u>17,062</u>	<u>18,556</u>
	<u>245,715</u>	<u>282,626</u>
Total assets	<u>\$ 42,307,790</u>	<u>\$ 40,871,834</u>

The accompanying notes are an integral part of these statements.

LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 834,360	\$ 826,450
Accounts payable	653,718	749,630
Accrued employee compensation	1,395,014	1,357,129
Accrued payroll taxes and withholding	228,588	27,780
Accrued health insurance claims	170,000	210,000
Accrued interest payable	137,985	154,229
Estimated third-party payor settlements	371,000	364,000
Deferred revenue for succeeding year property tax receivable	<u>1,790,000</u>	<u>1,780,000</u>
Total current liabilities	5,580,665	5,469,218
Long-Term Debt:		
Revenue bonds and notes payable, less unamortized refunding costs, and current maturities	<u>5,468,510</u>	<u>6,302,866</u>
Total liabilities	11,049,175	11,772,084
Net Assets:		
Invested in capital assets, net of related debt	17,640,446	12,523,625
Restricted	1,652,948	2,512,162
Unrestricted	<u>11,965,221</u>	<u>14,063,963</u>
Total net assets	31,258,615	29,099,750
 Total liabilities and net assets	 <u>\$ 42,307,790</u>	 <u>\$ 40,871,834</u>

MAHASKA HEALTH PARTNERSHIP
Consolidated Statements of Revenues, Expenses and Changes in Net Assets
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Revenue:		
Net patient service revenue	\$ 31,034,088	\$ 30,032,066
Other revenue	<u>287,157</u>	<u>256,025</u>
Total revenue	31,321,245	30,288,091
Expenses:		
Nursing service	7,930,827	7,531,358
Other professional service	14,262,045	13,382,067
General service	2,704,954	2,727,136
Fiscal and administrative service	5,714,621	5,512,313
Provision for depreciation	1,758,315	2,114,013
Amortization	<u>28,750</u>	<u>9,583</u>
Total expenses	<u>32,399,512</u>	<u>31,276,470</u>
Operating Loss	(1,078,267)	(988,379)
Non-Operating Revenue (Expenses):		
County taxes	1,921,025	1,912,020
County subsidy - New Directions	236,850	233,956
Investment income	103,366	140,008
Noncapital grants and contributions	271,584	76,948
Rental income	247,962	272,543
Interest expense	(252,070)	(413,242)
Gain on disposal of assets	<u>1,537</u>	<u>1,200</u>
Non-operating revenue, net	<u>2,530,254</u>	<u>2,223,433</u>
Excess of Revenues Over Expenses Before Capital Grants and Contributions	1,451,987	1,235,054
Capital Grants and Contributions	<u>706,878</u>	<u>1,033,255</u>
Excess of Revenues Over Expenses and Increase in Net Assets	2,158,865	2,268,309
Net Assets Beginning of Year	<u>29,099,750</u>	<u>26,831,441</u>
Net Assets End of Year	<u>\$ 31,258,615</u>	<u>\$ 29,099,750</u>

The accompanying notes are an integral part of these statements.

MAHASKA HEALTH PARTNERSHIP
Consolidated Statements of Cash Flows
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 31,546,065	\$ 30,244,081
Cash paid to suppliers	(13,448,437)	(13,293,425)
Cash paid to employees	(17,080,097)	(15,560,485)
Other revenue	<u>287,157</u>	<u>256,025</u>
Net cash provided by operating activities	1,304,688	1,646,196
Cash flows from non-capital financing activities:		
County tax revenue and subsidy	2,157,875	2,145,976
Noncapital grants and contributions	<u>271,584</u>	<u>76,948</u>
Net cash provided by non-capital financing activities	2,429,459	2,222,924
Cash flows from capital and related financing activities:		
Capital expenditures	(5,932,891)	(1,747,598)
Change in other assets	1,494	13,002
Capital grants and contributions	706,878	1,033,255
Interest paid	(351,891)	(386,323)
Principal paid on long-term debt	(860,129)	(685,287)
Proceeds on sale of assets	<u>7,931</u>	<u>1,200</u>
Net cash used in capital and related financing activities	(6,428,608)	(1,771,751)
Cash flows from investing activities:		
Investment income	81,841	193,273
Change in designated and restricted assets	2,268,722	(1,489,485)
Loans granted for physician recruitment	--	(10,000)
Physician recruitment loan repayment	--	85,000
Rental income	<u>247,962</u>	<u>272,543</u>
Net cash provided by (used in) investing activities	<u>2,598,525</u>	<u>(948,669)</u>
Net increase (decrease) in cash and cash equivalents	(95,936)	1,148,700
Cash and cash equivalents at beginning of year	<u>8,397,601</u>	<u>7,248,901</u>
Cash and cash equivalents at end of year	<u>\$ 8,301,665</u>	<u>\$ 8,397,601</u>
Reconciliation of cash and cash equivalents to the balance sheets:		
Cash in current assets	\$ 2,068,407	\$ 3,641,120
Cash and cash equivalents in designated and restricted assets	<u>6,233,258</u>	<u>4,756,481</u>
Total cash and cash equivalents	<u>\$ 8,301,665</u>	<u>\$ 8,397,601</u>

(continued next page)

MAHASKA HEALTH PARTNERSHIP
Consolidated Statements of Cash Flows - Continued
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$(1,078,267)	\$(988,379)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Provision for depreciation	1,758,315	2,114,013
Amortization	35,417	16,249
Changes in assets and liabilities		
Accounts receivable	504,977	(173,985)
Inventory	30,127	68,127
Prepaid expense	(19,524)	(23,743)
Accounts payable, trade	(132,050)	17,853
Accrued employee compensation	37,885	254,349
Accrued payroll taxes and withholding	200,808	(51,288)
Accrued health insurance claims	(40,000)	27,000
Estimated third-party payor settlements	7,000	386,000
Total adjustments	<u>2,382,955</u>	<u>2,634,575</u>
Net cash provided by operating activities	<u>\$ 1,304,688</u>	<u>\$ 1,646,196</u>

The accompanying notes are an integral part of these statements.

MAHASKA HEALTH PARTNERSHIP
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES

1. Reporting Entity

The organization is a critical access county hospital with related healthcare ancillary and outpatient services. The Hospital is organized under Chapter 347 of the Code of Iowa, accordingly is a political subdivision of the State of Iowa, and is therefore exempt from federal and state income taxes. It is governed by a seven member board of trustees elected for six year terms. The Hospital has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The criteria for determining financial accountability include: appointing a majority of an organization's governing body, and (a) the Hospital's ability to impose its will on that organization, or (b) the potential for the organization to provide benefits to or impose financial burdens on the Hospital. The Hospital has identified two component units for 2010 and 2009: Mahaska Health Partnership Foundation and Mahaska Health Partnership Hospice Foundation (the Foundations). Substantially all of the economic resources of the Foundations are designated for the direct benefit of the Hospital. Accordingly, the assets, liabilities, and activities of the Foundations have been consolidated with those of the Hospital in these financial statements. The Foundations are not-for-profit corporations exempt from income tax under Section 501 of the Internal Revenue Code.

2. Enterprise Fund Accounting

The Hospital uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), that do not conflict with or contradict GASB pronouncements.

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, including designated and restricted assets.

MAHASKA HEALTH PARTNERSHIP
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

5. Inventory Valuation

Inventory is valued at the lower of cost (first-in, first-out method) or market.

6. Investments

Investments are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue when earned, unless restricted by donor or law.

7. Capital Assets

The Hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets with lives in excess of four years and cost in excess of \$5,000 are capitalized. These capital assets, other than land, are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using their estimated useful lives (fifteen to fifty years for buildings and land improvements and five to twenty years for equipment).

8. Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The Hospital capitalized interest cost of \$117,260 in 2010 (\$ - 0 - in 2009).

9. Compensated Absences

Hospital employees earn paid time off hours at varying rates depending on years of service. Paid time off consists of holiday, vacation and sick time and accumulates to a maximum of 420 hours. Any excess over 420 hours accumulated by the employee's anniversary date is lost. The computed amount of paid time off benefits earned by year end is recorded as part of accrued employee compensation.

10. Operating Revenues and Expenses

The Hospital's statement of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the Hospital's principal activity. Nonexchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

MAHASKA HEALTH PARTNERSHIP
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

11. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

12. Property Tax Levy

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied. Property tax revenue is reported as non-operating revenue when collected by the County Treasurer.

13. Grants and Contributions

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

14. Endowments

Endowments are provided to the Hospital on a voluntary basis by individuals and private organizations. *Permanent* endowments require that the principal or corpus of the endowment be retained in perpetuity. If a donor has not provided specific instructions, law permits the Board of Trustees to authorize for expenditure the net appreciation of the investments of endowment funds, as discussed in Note C.

15. Restricted Resources

Use of restricted or unrestricted resources for individual projects is determined by the Hospital Board of Trustees based on the facts regarding each specific situation.

MAHASKA HEALTH PARTNERSHIP
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES - Continued

16. Net Assets

Net assets of the Hospital are classified in three components. *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted net assets* are noncapital net assets that must be used for a particular purpose or permanent endowments, as specified by creditors, grantors, or contributors external to the Hospital. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt or restricted*.

17. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients is automatically recorded in the accounting system at the established rates, but the Hospital does not pursue collection of the amounts. The resulting adjustments are recorded as bad debts or charity service depending on the timing of the charity determination.

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS

A summary of the payment arrangements with major third-party payors follows:

Medicare and Medicaid - Inpatient services and most outpatient services related to program beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for the cost of services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediaries. The Hospital's Medicare cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2008. The Hospital's Medicaid cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2008. However, finalized cost reports are subject to re-opening by the intermediaries within three years of the date of finalization. Outpatient services not paid based on a cost reimbursement methodology are paid based on a prospectively determined fee schedule.

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

MAHASKA HEALTH PARTNERSHIP
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

NOTE C - ENDOWMENTS AND RESTRICTED NET ASSETS

Restricted expendable net assets are available for the following purposes:

	<u>2010</u>	<u>2009</u>
Long-term debt	\$ 1,000,000	\$ 1,001,726
Capital acquisitions	357,727	1,010,016
Hospice	<u>289,221</u>	<u>494,420</u>
	<u>\$ 1,646,948</u>	<u>\$ 2,506,162</u>

Following is a summary of the use of temporarily restricted net assets during the year ended June 30:

	<u>2010</u>	<u>2009</u>
Construction of a hospice house	\$ 1,600,000	\$ --
Payment of long-term debt	<u>1,726</u>	<u>--</u>
	<u>\$ 1,601,726</u>	<u>\$ --</u>

Unless the contributor provides specific instructions, law permits the Hospital Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the investments in its endowments. When administering its power to spend net appreciation, the Board of Trustees is required to consider the Hospital's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes designated by the contributor.

The Board of Trustees has chosen to spend the investment income and appreciation on the endowment fund while maintaining adequate amounts of earnings to maintain the principal original value. Any decreases in principal value will be replaced by retaining income in future years to return the principal to its original value.

Restricted nonexpendable net assets as of June 30, 2010 and 2009 represent the principal amounts of permanent endowments, restricted to investment in perpetuity. Investment earnings from the Hospital's permanent endowments are expendable to support these programs as established by the contributor:

	<u>2010</u>	<u>2009</u>
Purchase of capital assets	<u>\$ 6,000</u>	<u>\$ 6,000</u>

NOTE D - DESIGNATED NET ASSETS

Of the \$11,965,221 (\$14,063,963 as of June 30, 2009) of unrestricted net assets as of June 30, 2010, \$6,191,365 (\$6,102,571 for 2009) has been designated by the Hospital's Board of Trustees for purposes identified in the following schedule.

MAHASKA HEALTH PARTNERSHIP
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

NOTE D - DESIGNATED NET ASSETS - Continued

Designated assets remain under the control of the Board of Trustees, which may, at its discretion, later use the funds for other purposes.

	<u>2010</u>	<u>2009</u>
Operations	\$ 4,894,134	\$ 3,996,698
Capital acquisitions	590,151	1,408,873
Employee health insurance	<u>707,080</u>	<u>697,000</u>
	<u>\$ 6,191,365</u>	<u>\$ 6,102,571</u>

NOTE E - DEPOSITS AND INVESTMENTS

The Hospital's deposits at June 30, 2010 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. Investments are stated as indicated in Note A.

The Hospital is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The composition of designated and restricted assets is as follows:

	<u>2010</u>	<u>2009</u>
Internally Designated Assets:		
Cash and cash equivalents	\$ 4,948,775	\$ 4,517,459
Certificates of deposit	1,241,324	1,565,141
Interest receivable	<u>1,266</u>	<u>19,971</u>
	<u>\$ 6,191,365</u>	<u>\$ 6,102,571</u>
Restricted Assets:		
Cash and cash equivalents	\$ 1,284,483	\$ 239,022
Certificates of deposit	99,852	2,103,808
U.S. treasury obligations	6,000	6,000
Interest receivable	--	1,726
Equity securities	<u>262,613</u>	<u>161,606</u>
	<u>\$ 1,652,948</u>	<u>\$ 2,512,162</u>

Interest rate risk. The Hospital's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Hospital.

MAHASKA HEALTH PARTNERSHIP
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

NOTE F - ACCOUNTS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2010 and 2009, was as follows:

	<u>2010</u>	<u>2009</u>
Receivable from:		
Patients	\$ 2,148,812	\$ 2,082,966
Medicare	2,521,954	2,838,104
Medicaid	421,195	608,488
Blue Cross	984,519	1,487,359
Other commercial insurance carriers	875,815	744,327
Others	<u>139,776</u>	<u>93,143</u>
	7,092,071	7,854,387
Less allowances for doubtful accounts and contractual adjustments	<u>2,220,548</u>	<u>2,475,808</u>
	<u>\$ 4,871,523</u>	<u>\$ 5,378,579</u>

NOTE G - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2010 and 2009 were as follows:

<u>Cost</u>	<u>Balance 2009</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2010</u>
Land Improvements	\$ 878,582	\$ --	\$ --	\$ 878,582
Buildings	27,252,328	53,455	--	27,305,783
Major Movable Equipment	15,010,054	881,950	6,615	15,885,389
Clinic Equipment	<u>21,895</u>	<u>--</u>	<u>--</u>	<u>21,895</u>
	43,162,859	935,405	6,615	44,091,649
<u>Depreciation</u>				
Land Improvements	607,089	40,664	--	647,753
Buildings	11,622,331	955,338	--	12,577,669
Major Movable Equipment	12,348,104	762,313	221	13,110,196
Clinic Equipment	<u>21,895</u>	<u>--</u>	<u>--</u>	<u>21,895</u>
Total Depreciation	<u>24,599,419</u>	<u>1,758,315</u>	<u>221</u>	<u>26,357,513</u>
Depreciable Capital Assets, Net	<u>\$ 18,563,440</u>	<u>\$ (822,910)</u>	<u>\$ 6,394</u>	<u>\$ 17,734,136</u>
Construction in Progress	\$ 795,415	\$ 5,163,384	\$ 12,500	\$ 5,946,299
Land	<u>313,476</u>	<u>--</u>	<u>--</u>	<u>313,476</u>
Total Non-depreciable Capital Assets	<u>\$ 1,108,891</u>	<u>\$ 5,163,384</u>	<u>\$ 12,500</u>	<u>\$ 6,259,775</u>

MAHASKA HEALTH PARTNERSHIP
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

NOTE G - CAPITAL ASSETS - Continued

<u>Cost</u>	<u>Balance 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2009</u>
Land Improvements	\$ 878,582	\$ --	\$ --	\$ 878,582
Buildings	26,617,261	635,067	--	27,252,328
Major Movable Equipment	14,485,108	557,109	32,163	15,010,054
Clinic Equipment	21,895	--	--	21,895
	<u>42,002,846</u>	<u>1,192,176</u>	<u>32,163</u>	<u>43,162,859</u>
<u>Depreciation</u>				
Land Improvements	555,245	51,844	--	607,089
Buildings	10,629,306	993,025	--	11,622,331
Major Movable Equipment	11,311,123	1,069,144	32,163	12,348,104
Clinic Equipment	21,895	--	--	21,895
	<u>22,517,569</u>	<u>2,114,013</u>	<u>32,163</u>	<u>24,599,419</u>
Total Depreciation				
Depreciable Capital Assets, Net	<u>\$ 19,485,277</u>	<u>\$ (921,837)</u>	<u>\$ --</u>	<u>\$ 18,563,440</u>
Construction in Progress	\$ 187,358	\$ 879,448	\$ 271,391	\$ 795,415
Land	<u>313,476</u>	<u>--</u>	<u>--</u>	<u>313,476</u>
Total Non-depreciable Capital Assets	<u>\$ 500,834</u>	<u>\$ 879,448</u>	<u>\$ 271,391</u>	<u>\$ 1,108,891</u>

NOTE H - LONG-TERM DEBT

A schedule of changes in the Hospital's long-term debt for the years ended June 30, 2010 and 2009 follows:

	<u>Balance 2009</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2010</u>	<u>Current Portion</u>
Long-Term Debt:					
Series 2001 bonds	\$ 7,195,000	\$ --	\$ 825,000	\$ 6,370,000	\$ 865,000
Note payable, bank(2)	38,172	--	35,129	3,043	3,043
Refunding costs	<u>(103,856)</u>	<u>--</u>	<u>(33,683)</u>	<u>(70,173)</u>	<u>(33,683)</u>
Total Long-Term Debt	<u>\$ 7,129,316</u>	<u>\$ --</u>	<u>\$ 826,446</u>	<u>\$ 6,302,870</u>	<u>\$ 834,360</u>

MAHASKA HEALTH PARTNERSHIP
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

NOTE H - LONG-TERM DEBT - Continued

	<u>Balance</u> <u>2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>2009</u>	<u>Current</u> <u>Portion</u>
Long-Term Debt:					
Series 2001 bonds	\$ 7,470,000	\$ --	\$ 275,000	\$ 7,195,000	\$ 825,000
Note payable, bank(1)	377,213	--	377,213	--	--
Note payable, bank(2)	71,246	--	33,074	38,172	35,133
Refunding costs	(137,540)	--	(33,684)	(103,856)	(33,683)
Total Long-Term Debt	<u>\$ 7,780,919</u>	<u>\$ --</u>	<u>\$ 651,603</u>	<u>\$ 7,129,316</u>	<u>\$ 826,450</u>

Total interest cost for the year ended June 30, 2010 was \$369,330 (\$413,242 in 2009). Interest of \$117,260 (\$- 0 - in 2009) was capitalized as part of the cost of construction in progress.

Series 2001 Bonds

The bonds are in the name of the County of Mahaska, Iowa through Bankers' Trust, Des Moines office to early refund previously issued Series 1997 bonds, and finance a portion of the costs of a medical office building. However, the Hospital is responsible for all loan principal and interest payments, therefore, the bonds have been recorded as a liability of the Hospital. Under terms of the Series 2001 bonds, combined principal and interest payments of approximately \$1,042,000-\$1,177,000 annually are due in two installments with an interest rate of 3.50%-5.10% (interest only in February and interest and principal due in August). The final payment is due in August, 2016. The Hospital has pledged all of its future revenues (net of certain expenses) to repay the bonds.

Note Payable, Bank (1)

The note was in the name of the Mahaska Health Partnership through Midwest One Bank, Oskaloosa, Iowa office for the purchase of equipment. Under terms of the note, principal and interest payments of \$42,646 monthly were due with an interest rate of 4.25%. The final payment was due in March, 2009. The Hospital had pledged all of its future revenues (net of certain expenses) to repay the note.

Note Payable, Bank (2)

The note is in the name of the Mahaska Health Partnership through Midwest One Bank, Oskaloosa, Iowa office for the purchase of equipment. Under terms of the note, principal and interest payments of \$3,041 monthly are due with an interest rate of 6.0%. The final payment is due in July, 2010. The Hospital has pledged all of its future revenues (net of certain expenses) to repay the note.

The annual debt service on the bonds and notes is expected to require less than 35% of cash flow available for debt service. For the current year, debt service and cash flow for debt were approximately \$1,212,000 and \$3,491,000, respectively.

MAHASKA HEALTH PARTNERSHIP
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

NOTE H - LONG-TERM DEBT - Continued

Scheduled principal and interest repayments on long-term debt are as follows:

Year Ending June 30,	Long-Term Debt		
	Principal	Interest	Total
2011	\$ 868,043	\$ 310,400	\$ 1,178,443
2012	910,000	267,330	1,177,330
2013	850,000	223,785	1,073,785
2014	860,000	180,605	1,040,605
2015	910,000	133,650	1,043,650
2016-2017	<u>1,975,000</u>	<u>110,137</u>	<u>2,085,137</u>
	<u>\$ 6,373,043</u>	<u>\$ 1,225,907</u>	<u>\$ 7,598,950</u>

Under the terms of the debt resolutions, the Hospital is required to maintain certain deposits with a bank. Such deposits are included with restricted assets in the financial statements. The debt resolutions also place limits on the incurrence of additional borrowings and require that the Hospital satisfy certain measures of financial performance as long as the debt is outstanding.

NOTE I - PENSION AND RETIREMENT BENEFITS

The Hospital contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.30% (4.50% beginning July 1, 2010) of their annual salary and the Hospital is required to contribute 6.65% (6.95% beginning July 1, 2010) of annual covered payroll. Contribution rates are slightly higher when employees are performing emergency response services. Contribution requirements are established by State statute. The Hospital's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008, were approximately \$1,069,000, \$950,000, and \$824,000, respectively, equal to the required contributions for each year.

MAHASKA HEALTH PARTNERSHIP
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

NOTE J - DEFERRED COMPENSATION PLAN

The Hospital sponsors a deferred compensation plan which is administered by an independent contractor under Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The Hospital's personnel department is responsible for the accounting, reconciliations and record keeping associated with employees' enrollment, payments to the plan through payroll deductions and timely transfer of withheld funds to the trustee designated by the participant for investment. The plan is designed so that each participant retains investment control of his/her individual account. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The Hospital's fiduciary responsibility is limited to due care in selecting the plan administrator. The administrator is responsible for withholdings and W-2s when the participants receive payments. The administrator is also required to submit an annual report to the Hospital. The Hospital is liable to a participant only for income lost because of its failure to send payment of a deferred amount as directed by the participant.

The market value of the exclusive benefit plan assets at June 30, 2010 was \$343,839 (\$323,961 at June 30, 2009). This amount is not included in the financial statements since the Hospital does not own or hold in a trustee capacity the amounts deferred by employees and related income on those amounts.

NOTE K - COMMITMENTS AND CONTINGENCIES

Notes Receivable

The notes receivable represent funds advanced under agreements with physicians who have begun to practice in the community. The agreements include commitments by the physicians to provide medical services in the community for a specified period of years. In exchange for the commitments of time and services, the Hospital will forgive the notes over the terms of the commitments.

Risk Management

The Hospital is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. The Hospital is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage during the past three years.

MAHASKA HEALTH PARTNERSHIP
Notes to Consolidated Financial Statements
June 30, 2010 and 2009

NOTE K - COMMITMENTS AND CONTINGENCIES - Continued

Construction in Progress

Construction in progress at June 30, 2010 of \$5,946,299 consists of costs of various capital projects, primarily related to construction of a Hospice House and construction and renovation of the existing facility. The estimated cost of the Hospice House is \$4.4 million, which will be financed through donations and the use of internally generated funds. The construction and renovation of the existing facility is in the planning stages and is expected to cost approximately \$25 million. No construction commitments have been made on this project. The Hospital anticipates financing the construction and renovation project with internally generated funds and issuance of debt of approximately \$23 million.

Equipment

The Hospital has committed to purchase approximately \$400,000 of equipment to be delivered early in fiscal year 2011.

Self-Funded Health Insurance

The Hospital has established a self-insured employee health insurance program. Under the self-insured plan, the Hospital pays claims up to maximum limits and carries stop loss insurance for claims in excess of the limits. At June 30, 2010, the Hospital has accumulated funds in excess of actual claims paid of \$707,080 (\$697,000 at June 30, 2009). These funds, shown under internally designated assets are to be used to pay claims as they are filed in the future. The estimated amount of unpaid claims at June 30, 2010 is \$170,000 (\$210,000 at June 30, 2009), which is reported under current liabilities.

Other Post Employment Benefits (OPEB)

The Hospital implemented GASB Statement No. 45 Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions during the year ended June 30, 2009.

Plan Description: As required by state law, the Hospital offers health insurance to former employees who have retired after age 55, but have not reached Medicare eligibility. The fully insured plan is a part of the plan offered to all Hospital employees, and the retiree must pay a health insurance premium equal to that charged for current employees.

Potential for Liability: A review of the Hospital's current and potential future exposure to this requirement resulted in the conclusion that no material liability exists. Therefore no liability has been recorded.

Subsequent Event

The Hospital has evaluated all subsequent events through October 18, 2010, the date the financial statements were available to be issued.

* * *

REQUIRED SUPPLEMENTARY INFORMATION

MAHASKA HEALTH PARTNERSHIP
Budgetary Comparison Schedule
Year ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following the required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The following is a reconciliation between reported amounts and the modified accrual basis used to prepare the budget. The adjustment results from accounting for Foundation activity, interest, capital purchases, depreciation, and net assets differently for financial statement and budget purposes.

	Per Financial Statements		
	Unrestricted Fund	Restricted Fund	Total
Amount raised by taxation	\$ 1,921,025	\$ --	\$ 1,921,025
Other revenues	<u>33,496,566</u> 35,417,591	<u>742,512</u> 742,512	<u>34,239,078</u> 36,160,103
Expenses	<u>32,399,512</u>	<u>1,601,726</u>	<u>34,001,238</u>
Net	3,018,079	(859,214)	2,158,865
Balance beginning of year	<u>26,587,588</u>	<u>2,512,162</u>	<u>29,099,750</u>
Balance end of year	<u>\$ 29,605,667</u>	<u>\$ 1,652,948</u>	<u>\$ 31,258,615</u>

	Total Per Financial Statements	Budget Adjustments	Budget Basis	Adopted Budget
Amount raised by taxation	\$ 1,921,025	\$ --	\$ 1,921,025	\$ 1,781,692
Other revenues	<u>34,239,078</u> 36,160,103	<u>(492,168)</u> (492,168)	<u>33,746,910</u> 35,667,935	<u>42,652,099</u> 44,433,791
Expenses	<u>34,001,238</u>	<u>2,942,180</u>	<u>36,943,418</u>	<u>45,749,570</u>
Net	2,158,865	(3,434,348)	(1,275,483)	(1,315,779)
Balance beginning of year	<u>29,099,750</u>	<u>(427,905)</u>	<u>28,671,845</u>	<u>28,671,845</u>
Balance end of year	<u>\$ 31,258,615</u>	<u>\$ (3,862,253)</u>	<u>\$ 27,396,362</u>	<u>\$ 27,356,066</u>

See Independent Auditor's Report.

SUPPLEMENTARY INFORMATION

MAHASKA HEALTH PARTNERSHIP
Consolidating Balance Sheets
June 30, 2010

ASSETS

	<u>Hospital</u>	<u>Foundations</u>	<u>Total</u>
Current Assets:			
Cash	\$ 2,068,407	\$ --	\$ 2,068,407
Patient receivables, net	4,871,523	--	4,871,523
Other receivables	50,764	--	50,764
Inventory	1,220,454	--	1,220,454
Prepaid expense	222,703	--	222,703
Succeeding year property tax receivable	1,790,000	--	1,790,000
Internally designated assets	<u>760,151</u>	<u>--</u>	<u>760,151</u>
Total current assets	10,984,002	--	10,984,002
Designated and Restricted Assets:			
Internally designated assets	6,191,365	--	6,191,365
Restricted assets	1,006,000	646,948	1,652,948
Current portion	<u>(760,151)</u>	<u>--</u>	<u>(760,151)</u>
	6,437,214	646,948	7,084,162
Depreciable Capital Assets, Net	17,734,136	--	17,734,136
Non-depreciable Capital Assets	6,259,775	--	6,259,775
Notes Receivable	6,667	--	6,667
Debt Issue Costs	221,986	--	221,986
Other	<u>17,062</u>	<u>--</u>	<u>17,062</u>
Total assets	<u>\$ 41,660,842</u>	<u>\$ 646,948</u>	<u>\$ 42,307,790</u>

See Independent Auditor's Report.

LIABILITIES AND NET ASSETS

	<u>Hospital</u>	<u>Foundations</u>	<u>Total</u>
Current Liabilities:			
Current maturities of long-term debt	\$ 834,360	\$ --	\$ 834,360
Accounts payable	653,718	--	653,718
Accrued employee compensation	1,395,014	--	1,395,014
Accrued payroll taxes and withholding	228,588	--	228,588
Accrued health insurance claims	170,000	--	170,000
Accrued interest payable	137,985	--	137,985
Estimated third-party payor settlements	371,000	--	371,000
Deferred revenue for succeeding year property tax receivable	<u>1,790,000</u>	<u>--</u>	<u>1,790,000</u>
Total current liabilities	5,580,665	--	5,580,665
Long-Term Debt:			
Revenue bonds and notes payable, less unamortized refunding costs, and current maturities	<u>5,468,510</u>	<u>--</u>	<u>5,468,510</u>
Total liabilities	11,049,175	--	11,049,175
Net Assets:			
Invested in capital assets, net of related debt	17,640,446	--	17,640,446
Restricted	1,006,000	646,948	1,652,948
Unrestricted	<u>11,965,221</u>	<u>--</u>	<u>11,965,221</u>
Total net assets	<u>30,611,667</u>	<u>646,948</u>	<u>31,258,615</u>
 Total liabilities and net assets	 <u>\$ 41,660,842</u>	 <u>\$ 646,948</u>	 <u>\$ 42,307,790</u>

MAHASKA HEALTH PARTNERSHIP
Consolidating Statements of Revenues, Expenses and Changes in Net Assets
Year ended June 30, 2010

	<u>Hospital</u>	<u>Foundations</u>	<u>Eliminations</u>	<u>Total</u>
Revenue:				
Net patient service revenue	\$ 31,034,088	\$ --	\$ --	\$ 31,034,088
Other revenue	<u>287,157</u>	<u>--</u>	<u>--</u>	<u>287,157</u>
Total revenue	31,321,245	--	--	31,321,245
Expenses:				
Nursing service	7,930,827	--	--	7,930,827
Other professional service	14,262,045	--	--	14,262,045
General service	2,704,954	--	--	2,704,954
Fiscal and administrative service	5,714,621	1,600,000	(1,600,000)	5,714,621
Provision for depreciation	1,758,315	--	--	1,758,315
Amortization	<u>28,750</u>	<u>--</u>	<u>--</u>	<u>28,750</u>
Total expenses	<u>32,399,512</u>	<u>1,600,000</u>	<u>(1,600,000)</u>	<u>32,399,512</u>
Operating Loss	(1,078,267)	(1,600,000)	1,600,000	(1,078,267)
Non-Operating Revenue (Expenses):				
County taxes	1,921,025	--	--	1,921,025
County subsidy - New Directions	236,850	--	--	236,850
Investment income	67,732	35,634	--	103,366
Noncapital grants and contributions	271,584	--	--	271,584
Rental income	247,962	--	--	247,962
Interest expense	(252,070)	--	--	(252,070)
Gain on disposal of assets	<u>1,537</u>	<u>--</u>	<u>--</u>	<u>1,537</u>
Non-operating revenue, net	<u>2,494,620</u>	<u>35,634</u>	<u>--</u>	<u>2,530,254</u>
Excess of Revenues Over (Under) Expenses				
Before Capital Grants and Contributions	1,416,353	(1,564,366)	1,600,000	1,451,987
Capital Grants and Contributions	<u>1,600,000</u>	<u>706,878</u>	<u>(1,600,000)</u>	<u>706,878</u>
Excess of Revenues Over (Under) Expenses				
and Increase (Decrease) in Net Assets	3,016,353	(857,488)	--	2,158,865
Net Assets Beginning of Year	<u>27,595,314</u>	<u>1,504,436</u>	<u>--</u>	<u>29,099,750</u>
Net Assets End of Year	<u>\$ 30,611,667</u>	<u>\$ 646,948</u>	<u>\$ --</u>	<u>\$ 31,258,615</u>

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP
Patient Receivables
June 30,

Analysis of Aging:

<u>Days Since Discharge</u>	<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>Percent to Total</u>	<u>Amount</u>	<u>Percent to Total</u>
Hospital				
0 - 30	\$ 3,609,372	50.9%	\$ 3,590,915	45.7%
31 - 60	769,244	10.8	1,247,747	15.9
61 - 90	391,459	5.5	537,001	6.9
91 - 180	538,490	7.6	639,119	8.1
Over 181	665,613	9.4	708,477	9.0
	<u>5,974,178</u>	<u>84.2</u>	<u>6,723,259</u>	<u>85.6</u>
Community Health and Hospice	330,866	4.7	281,804	3.6
Physician clinic	787,027	11.1	849,324	10.8
	<u>7,092,071</u>	<u>100.0%</u>	<u>7,854,387</u>	<u>100.0%</u>
Less:				
Allowance for doubtful accounts	569,548		597,808	
Allowance for contractual adjustments	<u>1,651,000</u>		<u>1,878,000</u>	
	<u>\$ 4,871,523</u>		<u>\$ 5,378,579</u>	

Allowance for Doubtful Accounts:

	<u>Year Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Balance, beginning	\$ 597,808	\$ 621,324
Provision for bad debts	1,752,504	1,513,278
Recoveries of accounts previously written off	<u>283,756</u>	<u>7,203</u>
	<u>2,634,068</u>	<u>2,141,805</u>
Accounts written off	<u>2,064,520</u>	<u>1,543,997</u>
Balance, ending	<u>\$ 569,548</u>	<u>\$ 597,808</u>

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MAHASKA HEALTH PARTNERSHIP
Inventory/Prepaid Expense
June 30,

	<u>2010</u>	<u>2009</u>
<u>Inventory</u>		
Store room	\$ 99,169	\$ 98,402
Dietary	6,302	10,829
Pharmacy	162,625	163,532
Laboratory	75,792	78,474
Operating room	869,296	893,061
Radiology	<u>7,270</u>	<u>6,283</u>
	<u>\$ 1,220,454</u>	<u>\$ 1,250,581</u>
 <u>Prepaid Expense</u>		
Insurance	\$ 45,640	\$ 41,151
Dues and contracts	<u>177,063</u>	<u>162,028</u>
	<u>\$ 222,703</u>	<u>\$ 203,179</u>

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MAHASKA HEALTH PARTNERSHIP
Patient Service Revenue
Year ended June 30,

	2010	
	Inpatient	Outpatient
Daily Patient Services:		
Medical and surgical	\$ 2,928,063	\$ 1,002,086
Coronary care	124,476	821
Nursery	278,321	--
Obstetrics	398,699	32,344
Swing bed	--	--
Vision Quest	2,135,885	--
	<u>5,865,444</u>	<u>1,035,251</u>
Other Nursing Services:		
Operating and recovery rooms	1,136,455	3,860,184
Delivery and labor rooms	364,130	87,421
Central services and supply	2,105,626	973,302
Wound/ostomy care	1,920	56,907
Emergency services	105,538	2,967,355
Cardiac rehabilitation and stress test	--	342,464
	<u>3,713,669</u>	<u>8,287,633</u>
Other Professional Services:		
Emergency room physicians	35,129	1,932,346
Laboratory	807,593	2,421,923
Electrocardiology	--	17,669
Electroencephalography	5,104	20,417
Radiology	122,779	1,614,507
Ultrasound	46,334	476,694
Nuclear scanning	7,262	88,762
MRI scanning	102,809	1,467,120
CT scanning	332,641	3,097,169
Outsourced services	104,326	525,820
Pharmacy	1,745,459	2,199,070
Oncology	378	310,609
Anesthesiology	679,268	1,284,916
Respiratory therapy	842,491	683,114
Physical therapy	147,790	786,983
Occupational therapy	68,462	73,745
Speech therapy	1,698	4,348
Massage therapy	--	51,318
Ambulance	203,001	1,596,046
Community health	--	1,506,223
Hospice	--	802,535
Occupational health	--	123,190
New Directions	128,450	843,428
Physician clinic	42,999	5,557,181
	<u>5,423,973</u>	<u>27,485,133</u>
	<u>\$ 15,003,086</u>	<u>\$ 36,808,017</u>

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2010		2009
Swing Bed	Total	Total
\$ --	\$ 3,930,149	\$ 3,684,705
--	125,297	159,530
--	278,321	325,124
--	431,043	496,574
750,929	750,929	803,591
--	2,135,885	2,081,862
<u>750,929</u>	<u>7,651,624</u>	<u>7,551,386</u>
13,298	5,009,937	4,820,624
--	451,551	538,280
9,577	3,088,505	2,126,756
1,646	60,473	49,464
--	3,072,893	2,714,555
--	342,464	344,466
<u>24,521</u>	<u>12,025,823</u>	<u>10,594,145</u>
--	1,967,475	1,897,966
73,957	3,303,473	3,137,603
--	17,669	21,049
--	25,521	22,700
14,846	1,752,132	1,695,283
2,692	525,720	519,772
1,006	97,030	87,477
3,816	1,573,745	1,738,761
--	3,429,810	3,068,915
17,859	648,005	829,560
303,927	4,248,456	4,223,961
--	310,987	250,311
6,146	1,970,330	1,429,185
251,809	1,777,414	1,900,018
119,162	1,053,935	1,093,357
57,632	199,839	214,073
425	6,471	22,436
--	51,318	33,644
17,829	1,816,876	1,940,588
--	1,506,223	1,519,062
--	802,535	920,035
--	123,190	185,462
--	971,878	1,017,378
--	5,600,180	3,148,814
<u>871,106</u>	<u>33,780,212</u>	<u>30,917,410</u>
<u>\$ 1,646,556</u>	<u>\$ 53,457,659</u>	<u>\$ 49,062,941</u>

MAHASKA HEALTH PARTNERSHIP
Revenue and Related Adjustments
Year ended June 30,

	<u>2010</u>	<u>2009</u>
<u>Net Patient Service Revenue</u>		
Patient service revenue	\$ 53,457,659	\$ 49,062,941
Contractual adjustments	(20,510,332)	(17,517,597)
Charity care	(160,735)	--
Provision for bad debts	<u>(1,752,504)</u>	<u>(1,513,278)</u>
	<u>\$ 31,034,088</u>	<u>\$ 30,032,066</u>
 <u>Other Revenue</u>		
Cafeteria	\$ 130,034	\$ 115,525
Catering	48,753	53,961
Medical record transcripts	892	120
Non-patient supplies	758	12
Outpatient clinics	71,640	65,744
Dietary services	34,200	19,071
Miscellaneous	<u>880</u>	<u>1,592</u>
	<u>\$ 287,157</u>	<u>\$ 256,025</u>

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MAHASKA HEALTH PARTNERSHIP
Nursing Service Expenses
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Administrative:		
Salaries and wages	\$ 213,440	\$ 196,611
Employee benefits	29,612	33,275
Supplies and other expense	<u>17,843</u>	<u>20,776</u>
	260,895	250,662
Medical and Surgical:		
Salaries and wages	2,011,856	1,986,273
Employee benefits	252,601	292,555
Supplies and other expense	<u>175,634</u>	<u>180,819</u>
	2,440,091	2,459,647
Obstetrics:		
Salaries and wages	344,649	332,568
Employee benefits	51,667	46,946
Supplies and other expense	<u>51,465</u>	<u>54,351</u>
	447,781	433,865
Nursery:		
Salaries and wages	109,402	121,787
Employee benefits	14,943	17,400
Supplies and other expense	<u>4,321</u>	<u>7,616</u>
	128,666	146,803
Vision Quest:		
Salaries and wages	753,644	749,129
Employee benefits	102,675	98,595
Purchased services	114,142	100,468
Supplies and other expense	<u>28,979</u>	<u>50,752</u>
	999,440	998,944
Operating and Recovery Rooms:		
Salaries and wages	705,965	699,206
Employee benefits	98,906	93,165
Supplies and other expense	<u>251,362</u>	<u>285,914</u>
	1,056,233	1,078,285
Delivery and Labor Rooms:		
Salaries and wages	111,596	136,389
Employee benefits	10,370	21,204
Supplies and other expense	<u>475</u>	<u>481</u>
	122,441	158,074

(continued next page)

MAHASKA HEALTH PARTNERSHIP
Nursing Service Expenses - Continued
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Central Services and Supply:		
Supplies and other expense	\$ 1,218,764	\$ 718,275
Wound/Ostomy Care:		
Salaries and wages	31,192	24,332
Employee benefits	5,023	4,172
Supplies and other expense	<u>11,150</u>	<u>9,246</u>
	47,365	37,750
Emergency Services:		
Salaries and wages	874,340	867,828
Employee benefits	134,814	133,588
Supplies and other expense	<u>113,010</u>	<u>125,106</u>
	1,122,164	1,126,522
Cardiac Rehabilitation:		
Salaries and wages	52,759	46,864
Employee benefits	6,321	6,920
Supplies and other expense	<u>27,907</u>	<u>68,747</u>
	<u>86,987</u>	<u>122,531</u>
	<u>\$ 7,930,827</u>	<u>\$ 7,531,358</u>
<u>SUMMARY</u>		
Salaries and wages	\$ 5,208,843	\$ 5,160,987
Employee benefits	706,932	747,820
Supplies and other expense	<u>2,015,052</u>	<u>1,622,551</u>
	<u>\$ 7,930,827</u>	<u>\$ 7,531,358</u>

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP
Other Professional Service Expenses
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Emergency Room Physicians:		
Salaries and wages	\$ 994,701	\$ 904,691
Employee benefits	106,829	91,102
Professional fees	74,467	45,189
Supplies and other expense	<u>10,467</u>	<u>9,493</u>
	1,186,464	1,050,475
Laboratory:		
Salaries and wages	380,879	378,373
Employee benefits	53,004	52,171
Purchased services	254,415	223,887
Supplies and other expense	<u>361,451</u>	<u>337,213</u>
	1,049,749	991,644
Electroencephalography and Electrocardiology:		
Salaries and wages	1,230	974
Employee benefits	108	71
Purchased services	<u>4,128</u>	<u>3,168</u>
	5,466	4,213
Oncology:		
Salaries and wages	125,852	84,737
Employee benefits	15,357	16,979
Supplies and other expense	<u>16,685</u>	<u>16,557</u>
	157,894	118,273
Radiology and Ultrasound:		
Salaries and wages	485,948	480,877
Employee benefits	70,755	69,073
Supplies and other expense	<u>603,048</u>	<u>636,332</u>
	1,159,751	1,186,282
Outsourced Services:		
Purchased services	175,156	257,835

(continued next page)

MAHASKA HEALTH PARTNERSHIP
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Pharmacy:		
Salaries and wages	\$ 281,444	\$ 264,928
Employee benefits	28,497	51,990
Drugs and other expense	<u>859,834</u>	<u>974,433</u>
	1,169,775	1,291,351
Anesthesiology:		
Salaries and wages	429,551	214,235
Employee benefits	60,295	23,478
Supplies and other expense	<u>88,471</u>	<u>63,598</u>
	578,317	301,311
Respiratory Therapy:		
Salaries and wages	345,430	329,447
Employee benefits	47,753	51,018
Professional fees	9,743	3,782
Supplies and other expense	<u>64,245</u>	<u>59,098</u>
	467,171	443,345
Physical Therapy:		
Professional fees	486,223	520,048
Supplies and other expense	<u>19,995</u>	<u>19,615</u>
	506,218	539,663
Speech Therapy:		
Salaries and wages	--	3,617
Professional fees	1,759	2,849
Supplies and other expense	<u>506</u>	<u>2,450</u>
	2,265	8,916
Occupational Therapy:		
Professional fees	93,205	104,518
Supplies and other expense	<u>2,311</u>	<u>3,212</u>
	95,516	107,730
Ambulance:		
Salaries and wages	109,378	109,602
Employee benefits	13,656	13,121
Purchased services	8,316	23,950
Supplies and other expense	<u>36,023</u>	<u>42,756</u>
	167,373	189,429

(continued next page)

MAHASKA HEALTH PARTNERSHIP
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Community Health:		
Salaries and wages	\$ 821,698	\$ 903,498
Employee benefits	113,256	159,799
Purchased services	182,796	195,156
Supplies and other expense	<u>148,617</u>	<u>120,445</u>
	1,266,367	1,378,898
Hospice:		
Salaries and wages	591,679	562,844
Employee benefits	90,388	91,320
Supplies and other expense	<u>175,979</u>	<u>184,853</u>
	858,046	839,017
Medical Records:		
Salaries and wages	369,236	312,269
Employee benefits	58,622	42,774
Supplies and other expense	<u>89,627</u>	<u>133,785</u>
	517,485	488,828
Physician Clinic:		
Salaries and wages	3,060,116	2,275,491
Employee benefits	271,772	268,142
Supplies and other expense	<u>280,956</u>	<u>268,629</u>
	3,612,844	2,812,262
Outpatient Clinics:		
Salaries and wages	22,720	14,474
Employee benefits	1,888	1,023
Supplies and other expense	<u>90</u>	<u>340</u>
	24,698	15,837
Dietician Services:		
Salaries and wages	3,404	7,849
Employee benefits	5,555	2,225
Supplies and other expense	<u>2,287</u>	<u>4,242</u>
	11,246	14,316
New Directions:		
Salaries and wages	847,229	839,084
Employee benefits	131,089	121,817
Purchased services	3,473	25,899
Supplies and other expense	<u>32,506</u>	<u>37,542</u>
	1,014,297	1,024,342

(continued next page)

MAHASKA HEALTH PARTNERSHIP
Other Professional Service Expenses - Continued
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Occupational Health:		
Salaries and wages	\$ 65,575	\$ 93,064
Employee benefits	5,057	17,897
Purchased services	8,901	4,046
Supplies and other expense	<u>26,501</u>	<u>38,558</u>
	106,034	153,565
Employee Health:		
Salaries and wages	27,909	65,487
Employee benefits	2,190	4,557
Supplies and other expense	<u>7,967</u>	<u>8,132</u>
	38,066	78,176
Mahaska Med Spa:		
Salaries and wages	22,405	28,431
Employee benefits	3,510	4,003
Supplies and other expense	<u>10,557</u>	<u>10,317</u>
	36,472	42,751
Massage Therapy:		
Salaries and wages	46,171	37,682
Employee benefits	6,195	5,539
Supplies and other expense	<u>3,009</u>	<u>387</u>
	<u>55,375</u>	<u>43,608</u>
	<u>\$ 14,262,045</u>	<u>\$ 13,382,067</u>

SUMMARY

Salaries and wages	\$ 9,032,555	\$ 7,911,654
Employee benefits	1,085,776	1,088,099
Professional fees	665,397	676,386
Supplies and other expense	<u>3,478,317</u>	<u>3,705,928</u>
	<u>\$ 14,262,045</u>	<u>\$ 13,382,067</u>

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP
General Service Expenses
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Dietary:		
Salaries and wages	\$ 305,258	\$ 267,543
Employee benefits	37,937	30,637
Food	242,168	204,803
Supplies and other expense	<u>270,617</u>	<u>267,181</u>
	855,980	770,164
Operation of Plant:		
Salaries and wages	240,274	217,721
Employee benefits	34,202	26,639
Utilities	397,310	517,762
Supplies and other expense	<u>646,626</u>	<u>641,497</u>
	1,318,412	1,403,619
Environmental Services:		
Salaries and wages	280,145	291,513
Employee benefits	37,600	35,018
Supplies and other expense	<u>55,548</u>	<u>60,408</u>
	373,293	386,939
Laundry and Linen:		
Salaries and wages	121,710	121,227
Employee benefits	15,449	18,611
Supplies and other expense	<u>20,110</u>	<u>26,576</u>
	<u>157,269</u>	<u>166,414</u>
	<u>\$ 2,704,954</u>	<u>\$ 2,727,136</u>

SUMMARY

Salaries and wages	\$ 947,387	\$ 898,004
Employee benefits	125,188	110,905
Supplies and other expense	<u>1,632,379</u>	<u>1,718,227</u>
	<u>\$ 2,704,954</u>	<u>\$ 2,727,136</u>

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP
Fiscal and Administrative Service Expenses
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Administrative:		
Salaries and wages	\$ 1,122,942	\$ 983,680
Employee benefits	157,438	128,251
Professional fees	165,690	139,911
Supplies and other expense	311,605	347,046
Purchased services	137,743	159,965
Travel and education	21,088	13,652
Telephone	--	1,625
Equipment rent	41,815	32,265
Dues, subscriptions and licenses	59,480	56,239
Collection fees	88,396	92,197
	<u>2,106,197</u>	<u>1,954,831</u>
Information Systems:		
Salaries and wages	271,041	259,277
Employee benefits	40,726	41,511
Purchased services	122,390	107,290
Supplies and other expense	43,738	98,137
	<u>477,895</u>	<u>506,215</u>
Purchasing:		
Salaries and wages	134,062	130,908
Employee benefits	19,235	19,327
Supplies and other expense	20,603	23,435
	<u>173,900</u>	<u>173,670</u>
Public Relations:		
Salaries and wages	136,194	133,734
Employee benefits	19,836	21,357
Supplies and other expense	119,772	104,625
	<u>275,802</u>	<u>259,716</u>
Human Resources:		
Salaries and wages	161,585	155,722
Employee benefits	23,136	23,960
Purchased services	10,051	11,160
Supplies and other expense	23,102	29,479
	<u>217,874</u>	<u>220,321</u>

(continued next page)

MAHASKA HEALTH PARTNERSHIP
Fiscal and Administrative Service Expenses - Continued
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Quality Management:		
Salaries and wages	\$ 83,923	\$ 80,404
Employee benefits	11,315	12,101
Supplies and other expense	<u>1,454</u>	<u>2,702</u>
	96,692	95,207
Support Services:		
Salaries and wages	19,450	100,464
Employee benefits	--	15,131
Supplies and other expense	<u>137</u>	<u>2,274</u>
	19,587	117,869
Employee Welfare:		
Unemployment tax	51,681	16,185
Group health and life insurance	1,779,585	1,690,271
Workers' compensation insurance	<u>195,757</u>	<u>179,738</u>
	2,027,023	1,886,194
Insurance:		
Insurance and bonding expense	<u>319,651</u>	<u>298,290</u>
	<u>\$ 5,714,621</u>	<u>\$ 5,512,313</u>

SUMMARY

Salaries and wages	\$ 1,929,197	\$ 1,844,189
Employee benefits	2,298,709	2,147,832
Professional fees	165,690	139,911
Supplies and other expense	<u>1,321,025</u>	<u>1,380,381</u>
	<u>\$ 5,714,621</u>	<u>\$ 5,512,313</u>

SUMMARY OF EXPENSES

Salaries and wages	\$ 17,117,982	\$ 15,814,834
Employee benefits	4,216,605	4,094,656
Professional fees	831,087	816,297
Supplies and other expense	<u>8,446,773</u>	<u>8,427,087</u>
	<u>\$ 30,612,447</u>	<u>\$ 29,152,874</u>

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP
Comparative Statistics
Year ended June 30,

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Acute Care:					
Admissions	1,126	1,365	1,321	1,260	1,273
Discharges	1,123	1,368	1,324	1,260	1,271
Patient days	3,738	4,020	3,906	4,012	3,847
Average length of stay	3.33	2.94	2.95	3.18	3.03
Average occupied beds	10.2	11.0	10.7	11.0	10.5
Vision Quest:					
Admissions	146	141	128	129	164
Discharges	147	137	132	129	163
Patient days	1,891	1,917	1,642	1,849	1,834
Average length of stay	12.86	13.99	12.44	14.33	11.25
Average occupied beds	5.2	5.3	4.5	5.1	5.0
Swing Bed:					
Admissions	262	269	238	205	241
Discharges	264	265	238	208	244
SNF days	1,456	1,627	1,699	1,399	1,375
ICF days	--	1	6	7	4
Combined Average Occupied Beds	19.4	20.7	19.8	19.9	19.3
Nursery Days	421	509	499	524	495
Home Health Visits	15,300	16,271	17,985	20,390	19,783
Outpatient Occasions of Service	97,016	99,016	92,740	89,780	90,368

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP
Comparative Balance Sheets
June 30,

	<u>2010</u>	<u>2009</u>
Current Assets:		
Cash	\$ 2,068,407	\$ 3,641,120
Receivables, net	4,922,287	5,427,264
Inventory	1,220,454	1,250,581
Prepaid expense	222,703	203,179
Estimated third-party payor settlements	--	--
Succeeding year property tax receivable	1,790,000	1,780,000
Internally designated assets	<u>760,151</u>	<u>1,236,403</u>
Total current assets	10,984,002	13,538,547
Other Assets:		
Designated and restricted assets, net	7,084,162	7,378,330
Capital assets, net	23,993,911	19,672,331
Other assets	<u>245,715</u>	<u>282,626</u>
Total other assets	<u>31,323,788</u>	<u>27,333,287</u>
	<u>\$ 42,307,790</u>	<u>\$ 40,871,834</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 834,360	\$ 826,450
Accounts payable	653,718	749,630
Accrued expenses	1,931,587	1,749,138
Estimated third-party payor settlements	371,000	364,000
Deferred revenue for succeeding year property tax receivable	<u>1,790,000</u>	<u>1,780,000</u>
Total current liabilities	5,580,665	5,469,218
Long-Term Debt, Net	5,468,510	6,302,866
Net Assets	<u>31,258,615</u>	<u>29,099,750</u>
	<u>\$ 42,307,790</u>	<u>\$ 40,871,834</u>

See Independent Auditor's Report.

<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,217,657	\$ 4,137,686	\$ 2,476,109
5,253,279	4,552,488	4,516,224
1,318,708	1,311,082	937,770
179,436	156,855	129,047
22,000	152,000	88,000
1,780,000	1,800,000	1,750,000
<u>948,886</u>	<u>1,591,679</u>	<u>1,453,501</u>
10,719,966	13,701,790	11,350,651
7,504,390	2,588,019	2,590,723
19,986,111	20,936,862	22,469,617
<u>386,877</u>	<u>66,642</u>	<u>87,384</u>
<u>27,877,378</u>	<u>23,591,523</u>	<u>25,147,724</u>
<u>\$ 38,597,344</u>	<u>\$ 37,293,313</u>	<u>\$ 36,498,375</u>
\$ 651,594	\$ 1,228,096	\$ 1,186,781
679,142	654,029	704,343
1,525,842	1,313,936	1,264,523
--	--	--
<u>1,780,000</u>	<u>1,800,000</u>	<u>1,750,000</u>
4,636,578	4,996,061	4,905,647
7,129,325	7,520,416	8,746,717
<u>26,831,441</u>	<u>24,776,836</u>	<u>22,846,011</u>
<u>\$ 38,597,344</u>	<u>\$ 37,293,313</u>	<u>\$ 36,498,375</u>

MAHASKA HEALTH PARTNERSHIP
Comparative Statements of Revenues and Expenses
Year ended June 30,

	<u>2010</u>	<u>2009</u>
Patient Service Revenue	\$ 53,457,659	\$ 49,062,941
Adjustments to Patient Service Revenue	<u>(22,423,571)</u>	<u>(19,030,875)</u>
Net Patient Service Revenue	31,034,088	30,032,066
Other Revenue	<u>287,157</u>	<u>256,025</u>
Total Revenue	31,321,245	30,288,091
Expenses	<u>32,399,512</u>	<u>31,276,470</u>
Operating Loss	(1,078,267)	(988,379)
Non-Operating Revenue, net	2,530,254	2,223,433
Capital Grants and Contributions	<u>706,878</u>	<u>1,033,255</u>
Excess of Revenues Over Expenses	<u>\$ 2,158,865</u>	<u>\$ 2,268,309</u>

See Independent Auditor's Report.

<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 45,265,060	\$ 42,323,917	\$ 39,812,657
(17,152,420)	(15,371,770)	(15,502,758)
28,112,640	26,952,147	24,309,899
<u>216,870</u>	<u>206,684</u>	<u>233,201</u>
28,329,510	27,158,831	24,543,100
<u>28,974,921</u>	<u>27,345,916</u>	<u>25,601,265</u>
(645,411)	(187,085)	(1,058,165)
2,479,016	2,117,910	2,045,114
<u>221,000</u>	<u>--</u>	<u>--</u>
<u>\$ 2,054,605</u>	<u>\$ 1,930,825</u>	<u>\$ 986,949</u>

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Trustees
Mahaska Health Partnership
Oskaloosa, Iowa

We have audited the financial statements of Mahaska Health Partnership as of and for the year ended June 30, 2010, and have issued our report thereon dated October 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mahaska Health Partnership's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Mahaska Health Partnership's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Hospital's financial statements will not be prevented or detected and corrected on a timely basis.

To the Board of Trustees
Mahaska Health Partnership

A significant deficiency is a deficiency or combination of deficiencies in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item 10-I-A to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mahaska Health Partnership's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Hospital's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mahaska Health Partnership's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the Hospital's responses, we did not audit the Hospital's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Mahaska Health Partnership and other parties to whom the Hospital may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Gronwald, Ben, Kyhn & Co. P.C.

Atlantic, Iowa
October 18, 2010

MAHASKA HEALTH PARTNERSHIP
Schedule of Findings
Year ended June 30, 2010

PART I - SIGNIFICANT DEFICIENCIES

10-I-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Hospital. This deficiency is common among most small rural Hospitals.

Recommendation: We recognize that it may not be economically feasible for the Hospital to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Hospital to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

* * *

PART II - REQUIRED STATUTORY REPORTING

10-II-A Certified Budget: Hospital expenditures during the year ended June 30, 2010 did not exceed amounts budgeted.

10-II-B Questionable Expenditures: During the audit, we noted a certain expenditure approved in the Board minutes that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979. The expense was as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Cassie Riley, Carter Entertainment Sodexho, Oskaloosa Chamber	Employee recognition banquet	\$ 6,510

Recommendation: We recommend that the Board continue to document the public purpose of such an expenditure before authorization is given.

Response: The expenditure is considered part of the employee benefit package and the Board feels it meets the requirements of public purpose as defined by the Attorney General's opinion dated April 25, 1979.

Conclusion: Response accepted.

MAHASKA HEALTH PARTNERSHIP
Schedule of Findings - Continued
Year ended June 30, 2010

PART II - REQUIRED STATUTORY REPORTING - Continued

10-II-C Travel Expense: No expenditures of Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.

10-II-D Business Transactions: During our audit, we noted no business transactions with Hospital employees or officials.

10-II-E Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

10-II-F Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Hospital's investment policy.

* * *